

THE MAYOR AND COUNCIL OF ROCKVILLE

Ordinance No. _____

AN ORDINANCE of The Mayor and Council of Rockville to authorize, pursuant to the authority of Article 23A of the Annotated Code of Maryland, as amended, and Article VII, Section 11 of the Charter of the City of Rockville, as amended, the issuance and sale, upon its full faith and credit, of its general obligation, fully registered bonds, in an aggregate principal amount not to exceed Twenty Million Dollars (\$20,000,000) to be designated as “The Mayor and Council of Rockville General Obligation Bonds, Series 2013A”; said bonds to be issued and sold for the public purpose of (i) financing and refinancing all or a portion of the costs of or related to Water System Facility Improvements, Water Main Rehabilitation, Blue Plains Wastewater Treatment, and Horizon Hill Storm Water Management Ponds, all as more fully set forth in Exhibit A attached hereto; and (ii) paying the costs incurred by the City in connection with the issuance, sale and delivery of said bonds; prescribing the form and tenor of such bonds and determining other matters relating to the issuance and sale thereof; determining that the best interests of the City will be served by selling said bonds at a public (competitive) sale; authorizing the publication of one or more notices of said sale; determining all other details in connection with said sale; providing for the disbursement of the proceeds of said bonds; providing for the levy and collection of all *ad valorem* taxes necessary to provide for the payment of the interest on, and the principal of, said bonds as they become due, such taxes to be levied upon all property subject to assessment for unlimited municipal taxation within the corporate limits of the City of Rockville; providing that the proceeds of said bonds, or any moneys which may be deemed to be proceeds, will not be used in a manner which would cause said bonds to be arbitrage bonds and making certain other covenants to assure the exclusion of interest on said bonds from gross income for federal income tax purposes; appointing a paying agent and registrar for said bonds; and generally providing for the issuance, sale and delivery of all said bonds.

RECITALS

For convenience of reference, The Mayor and Council of Rockville, a municipal corporation of the State of Maryland, is hereinafter referred to as the “City.”

The authority for the powers herein exercised is contained in Article VII, Section 11 of the Charter of the City of Rockville (hereinafter sometimes referred to as the “Charter”) and in Article 23A of the Annotated Code of Maryland, as amended (the “City Enabling Act”), such authority being hereinafter sometimes referred to collectively as the “Enabling Act.”

The Act enables the City to issue bonds for the purpose of financing and refinancing the costs of capital projects.

The City finds it to be in the public interest to borrow money to (i) finance and refinance all or a portion of the costs of the projects listed on Exhibit A attached hereto; and (ii) pay the costs incurred by the City in connection with the issuance, sale and delivery of said bonds.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COUNCIL OF ROCKVILLE, that:

Section 1: Acting pursuant to the authority of the Enabling Act, the City hereby determines that the net proceeds from the sale of its General Obligation Bonds, Series 2013A, authorized to be issued and sold by this Ordinance (the “Series 2013A Bonds”), shall be used and applied to (i) finance and refinance all or a portion of the costs of the projects listed on Exhibit A attached hereto, and (ii) pay the costs incurred by the City in connection with the issuance, sale and delivery of the Series 2013A Bonds.

Section 2: It is hereby determined that the City shall borrow money and incur indebtedness for the purposes set forth in this Ordinance. To evidence such borrowing and indebtedness and acting pursuant to the authority of the Enabling Act, the City shall issue and sell, upon its full faith and credit, its general obligation, fully registered bonds, said issue of bonds to be known as “The Mayor and Council of Rockville General Obligation Bonds, Series 2013A” in an aggregate principal amount not to exceed Twenty Million Dollars (\$20,000,000). The City Manager of the City is hereby authorized and directed to determine the aggregate principal amount and the principal amount per maturity of the Series 2013A Bonds to be issued in order to further the best interests of the City.

Section 3: The Series 2013A Bonds shall all be dated as of the date of their issuance, shall be in the denominations of \$5,000 or any integral multiple thereof, shall be numbered from one (1) consecutively upwards in the order of their maturities and each such number shall be prefixed by the letter “R.” The Bond Registrar (hereinafter designated) may make such additional provision for numbering, including additional

prefixes and suffixes, as it may deem appropriate. The Series 2013A Bonds shall mature on June 1 in such years and in such principal amounts as the City Manager shall determine in order to further the best interests of the City.

Section 4: The Series 2013A Bonds maturing on or before June 1, 2022, shall not be subject to redemption prior to their respective maturities. The Series 2013A Bonds maturing on or after June 1, 2023 shall be subject to redemption prior to their respective maturities at the option of the City on or after June 1, 2022, either as a whole or in part at any time, in such order of maturity and within any maturity in such amount as directed by the City, at par plus accrual interest; provided, however, that the City Manager is hereby authorized and directed to specify such other optional redemption features with respect to the Series 2013A Bonds as he may deem to be in the best interests of the City.

The Series 2013A Bonds shall be subject to mandatory sinking fund redemption to the extent so provided in the winning bid for the Series 2013A Bonds submitted in accordance with the provisions of Section 8 hereof.

If less than all of the Series 2013A Bonds of any one maturity are called for redemption, the particular Series 2013A Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its sole discretion may determine.

When less than all of a Series 2013A Bond in a denomination in excess of \$5,000 shall be so redeemed, then, upon the surrender of such Series 2013A Bond, there shall be issued to the registered owner thereof, without charge, for the unredeemed balance of the principal amount of such Series 2013A Bond, at the option of such owner, registered Series 2013A Bonds in any of the authorized denominations, the aggregate face amount of such Series 2013A Bonds not to exceed the unredeemed balance of the registered Series 2013A Bond so surrendered, and to bear the same interest rate and to mature on the same date as said unredeemed balance.

If, in accordance with the foregoing options, the City elects to redeem all outstanding Series 2013A Bonds, or less than all, it will give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Series 2013A Bonds to be redeemed at least thirty (30) days and not more than sixty (60) days prior to the redemption date, at the addresses of such owners appearing on the registration books kept by the Bond Registrar; provided, however, that the failure to mail any such notice or any defect in the notice so mailed or the mailing thereof shall not affect the validity of any redemption proceedings. Such notice shall state for all Series 2013A Bonds being redeemed: maturity date, certificate numbers, redemption date, redemption price, whether the Series 2013A Bonds are being redeemed in whole or in part and shall also state that on the redemption date the interest on the Series 2013A Bonds so called shall cease to accrue and the redemption price shall become due and payable and shall require that the Series

2013A Bonds so called be presented for redemption and payment at the principal corporate trust office of the Paying Agent.

The City may also provide such further notices and take such further actions as it deems necessary in connection with such redemption, including any such notices or actions as are required by the Securities and Exchange Commission or by the Municipal Securities Rulemaking Board.

From and after the date fixed for redemption, if due notice has been given as herein provided, and the funds sufficient for payment of the redemption price and accrued interest shall be available therefor on such date, the Series 2013A Bonds so designated for redemption shall cease to bear interest. Upon presentation and surrender in compliance with said notices, the Series 2013A Bonds so called for redemption shall be paid by the Paying Agent (hereinafter designated) at the redemption price plus any accrued interest. If not so paid on presentation thereof, said Series 2013A Bonds so called shall continue to bear interest at the rates expressed therein until paid. All Series 2013A Bonds redeemed and paid hereunder will be canceled.

Section 5: All of the Series 2013A Bonds authorized by this Ordinance shall bear interest at such interest rate or rates as shall be approved by the City Manager upon receipt of competitive bids for the Series 2013A Bonds. Each Series 2013A Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated upon an interest payment date, in which event it shall bear interest from such interest payment date, or unless authenticated prior to the first interest payment date, in which event it shall bear interest from the date of the Series 2013A Bonds; provided, however, that if at the time of authentication of any Series 2013A Bond interest is in default, such Series 2013A Bond shall bear interest from the date to which interest has been paid. The interest on all Series 2013A Bonds shall be paid semi-annually on June 1 and December 1, beginning December 1, 2013, of each year in which any Series 2013A Bonds may be outstanding.

All Series 2013A Bonds shall be executed in the name of the City and on its behalf by the Mayor of Rockville. Such signature of the Mayor of Rockville may be manually affixed or may be imprinted on such Series 2013A Bonds by facsimile; either a facsimile or an original of the corporate seal of Rockville shall also be imprinted thereon, attested by the manual or facsimile signature of the Clerk of Rockville.

There shall accompany each Series 2013A Bond the text of the approving legal opinion of Venable LLP, Bond Counsel, with respect to such Series 2013A Bond.

In the event any official whose signature shall appear on such Series 2013A Bonds shall cease to be such official prior to the delivery of the Series 2013A Bonds, or in the event any such official whose signature shall appear on the Series 2013A Bonds shall have

become such after the date of issue thereof, the Series 2013A Bonds shall nevertheless be valid and legally binding obligations of the City in accordance with their terms.

Notwithstanding any other provision of this Ordinance, it is intended that the Series 2013A Bonds will be issued as “book-entry only” securities. The City will issue one bond for each maturity of the Series 2013A Bonds in the name of Cede & Co., nominee for The Depository Trust Company (“DTC”), and beneficial ownership of the Series 2013A Bonds will be evidenced by book entries maintained by DTC. The City Manager of the City is hereby authorized and directed to take whatever actions are necessary or advisable to facilitate the issuance of the Series 2013A Bonds as book-entry only securities.

All Series 2013A Bonds shall be issued as fully registered bonds without coupons in denominations of \$5,000 each or any integral multiples thereof, and shall be registered in the name or names of the owner or owners thereof, on books kept for such purpose at the principal office of the Bond Registrar. Payment of the principal of and interest on the Series 2013A Bonds shall be made to the persons in whose names such Series 2013A Bonds are registered on the registration books maintained by the Bond Registrar as the registered owners thereof, such principal to be payable at the principal Office of the Paying Agent upon Presentation and surrender of such Series 2013A Bonds as the same become due and payable, and such interest to be payable by check mailed by the Paying Agent on the date such interest is payable to the persons in whose names the Series 2013A Bonds are registered as of the close of business on the regular record date which shall be the last business day of the month immediately preceding each interest payment date (the “Regular Record Date”) at such registered owner’s address as it appears on the registration books maintained by the Bond Registrar.

The City is hereby designated as the Bond Registrar and as the Paying Agent for the Series 2013A Bonds, subject to further action by the City.

Any interest on any Series 2013A Bond which is payable but not punctually paid or duly provided for (“Defaulted Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date and such Defaulted Interest may be paid by the City, at its election in each case, as provided in paragraph (a) or (b) below:

(a) The City may elect to make payment of any Defaulted Interest on the Series 2013A Bonds to the persons in whose names such Series 2013A Bonds are registered at the close of business on a record date for the payment of such Defaulted Interest (the “Special Record Date”), which shall be fixed in the following manner. The City shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on the Series 2013A Bonds and the date of the proposed payment (which date shall be such as will enable the Paying Agent to comply with the next sentence hereof), and at the same time the City shall deposit or cause to be deposited with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted

Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as provided in this paragraph. Thereupon the Paying Agent shall fix a Special Record Date for the payment of such Defaulted interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date after the receipt by the Paying Agent of the notice of the proposed payment. The Paying Agent shall promptly notify the City of such Special Record Date and, in the name of the City, shall cause notice of the payment date for such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each registered owner as of a date not less than ten (10) days prior to such Special Record Date at such owner's address as it appears in the registration books maintained by the Bond Registrar. The Paying Agent may, in its discretion, in the name of the City, cause a similar notice to be published at least once in a newspaper of general circulation in each of Baltimore, Maryland and the Borough of Manhattan, New York, New York but such publication shall not be a condition precedent to the establishment of such Special Record Date Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid on the date fixed for such payment to the registered owners of the Series 2013A Bonds as of the close of business on the Special Record Date.

(b) The City may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Series 2013A Bonds may be listed, and upon such notice as may be required by such exchange, if, after notice given by the City to the Paying Agent of the proposed payment pursuant to this paragraph, such payment shall be deemed practicable, and approved in writing, by the Paying Agent.

Section 6: Except as provided hereinafter or in ordinances or resolutions of The Mayor and Council of Rockville adopted prior to the issuance and delivery of the Series 2013A Bonds, all Series 2013A Bonds shall be substantially in the following form, with appropriate insertions as therein indicated, which form and all of the covenants therein contained are hereby adopted by the City as and for the form of obligation to be incurred by the City, and said covenants and conditions are hereby made binding upon the City, including the promise to pay therein contained:

[FORM OF SERIES 2013A BOND]

No. R--

\$_____

UNITED STATES OF AMERICA
 STATE OF MARYLAND
 THE MAYOR AND COUNCIL OF ROCKVILLE, MARYLAND
 General Obligation Bond, Series 2013A

Interest Rate

Per Annum

Maturity Date

Date of Original Issue

CUSIP

June 1, 20__

_____, 2013

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT

DOLLARS

THE MAYOR AND COUNCIL OF ROCKVILLE (the "City"), a municipal corporation created and existing under the laws of the State of Maryland, hereby acknowledges itself indebted, and, for value received, promises to pay to the Registered Owner shown above or registered assigns or legal representatives on the Maturity Date shown above (unless this bond shall be redeemable, shall have been called for prior redemption and payment of the redemption price made or provided for), the Principal Amount shown above or so much thereof as shall not have been paid upon prior redemption in any coin or currency which, at the time of payment, is legal tender for the payment of public and private debts upon presentation and surrender of this bond on the date such principal is payable or if such date is not a Business Day (hereinafter defined) then on the next succeeding Business Day at the principal office of the City, Rockville, Maryland (the "Paying Agent"), and to pay to the registered owner hereof by check or draft, mailed to such registered owner at such owner's address as it appears on said registration books (the "Bond Register") maintained by the City (the "Bond Registrar") interest on said principal amount at the Interest Rate shown above until payment of such principal amount, or until the prior redemption hereof, such interest being payable semi-annually on June 1 and December 1, beginning December 1, 2013, to the person in whose name this bond is registered on the Bond Register as of the close of business on the regular record date, which shall be the last Business Day of the month immediately preceding each interest payment date (the "Regular Record Date") and shall be made by check mailed by the Paying Agent on the interest payment date to such person's address as it appears on the Bond Register. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and

may be paid to the person in whose name this bond is registered as of the close of business on a date fixed by the Paying Agent for the payment of such defaulted interest (the “Special Record Date”), notice of such payment date and the Special Record Date therefor being given by letter mailed first class, postage prepaid, to the registered owner hereof not less than ten (10) days prior to such Special Record Date at the address of such owner as it appears on the Bond Register, or may be paid at any time in any other lawful manner not inconsistent with the requirement of any securities exchange on which the bonds of this series may be listed and upon such notice as may be required by such exchange. Interest will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Date of Original Issue shown above.

“Business Day” means a day other than a Saturday, Sunday or a day on which the City is authorized or obligated by law or required by executive order to remain closed.

The full faith and credit and unlimited taxing power of the City are irrevocably pledged to the payment of the principal of and interest on this bond according to its terms, and the City does hereby covenant and agree to pay the principal of this bond and the interest thereon, at the dates and in the manner mentioned herein, according to the true intent and meaning thereof.

This bond is one of a duly authorized issue of general obligation bonds of the City designated “General Obligation Bonds, Series 2013A” aggregating _____ Million _____ Dollars (\$____,____,000) in principal amount, which are in denominations of \$5,000 or any integral multiple thereof and mature serially in installments on June 1 in each of the years 2015 to 2034, inclusive, and bear interest per annum, as follows:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2015			2025		
2016			2026		
2017			2027		
2018			2028		
2019			2029		
2020			2030		
2021			2031		
2022			2032		
2023			2033		
2024			2034		

The bonds are numbered from one consecutively upwards prefixed by the letter “R” and are of like tenor and effect except as to maturity, number, interest rate, denomination and redemption provisions, and are issued pursuant to and in full conformity

with the provisions of Article 23A of the Annotated Code of Maryland, and Article VII, Section 11 of the Charter of the City of Rockville, as amended, and by virtue of due proceedings had and taken by The Mayor and Council of Rockville, particularly an Ordinance introduced on January 28, 2013 and adopted on February 4, 2013 (the "Ordinance").

The bonds maturing on or before June 1, 2022 are not subject to redemption prior to their respective maturities. The bonds maturing on or after June 1, 2023 are subject to redemption prior to their respective maturities at the option of the City on or after June 1, 2022, either as a whole or in part at any time, in such order of maturity and within any maturity in such amount as directed by the City, without premium, plus interest accrued to the date fixed for redemption.

[Insert mandatory sinking fund redemption provisions if applicable]

If less than all of the bonds of any one maturity of this issue shall be called for redemption, the particular bonds or Portion thereof to be redeemed from such maturity shall be selected by lot by the Bond Registrar in such manner as, in its discretion, it shall determine.

When less than all of a bond in a denomination in excess of \$5,000 shall be so redeemed, then, upon the surrender of such bond, there shall be issued to the registered owner thereof, without charge, for the unredeemed balance of the principal amount of such bond, at the option of such owner, registered bonds in any of the authorized denominations, the aggregate face amount of such bonds not to exceed the unredeemed balance of the registered bond so surrendered, and to bear the same interest rate and to mature on the same date as said unredeemed balance.

If, in accordance with the foregoing option, the City elects to redeem all outstanding bonds, or less than all, it will give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of such bonds at least thirty (30) days and not more than sixty (60) days prior to the redemption date, at the addresses of such owners appearing on the registration books kept by the Bond Registrar; provided, however, that the failure to mail such notice or any defect in the notice so mailed, or in the mailing thereof shall not affect the validity of the redemption proceedings. Such notice shall state the maturity date, certificate numbers, redemption date, redemption price, whether the bonds are being redeemed in whole or in part and the name and address of the Paying Agent and shall also state that on the redemption date the interest on the bonds so called shall cease to accrue and the redemption price shall become due and payable and shall require that the bonds so called be presented for redemption and payment at the principal office of that Paying Agent. From and after the date fixed for redemption, if due notice by publication is given as herein provided, and the funds sufficient for payment of the redemption price and accrued interest shall be available therefor on such date, the bonds so

designated for redemption shall cease to bear interest. Upon presentation and surrender in compliance with said notices, the bonds so called for redemption shall be paid by the Paying Agent at the redemption price plus any accrued interest. If not so paid on presentation thereof, said bonds so called shall continue to bear interest at the rates expressed therein until paid. All bonds redeemed and paid hereunder will be canceled.

This bond is transferable only upon the registration books kept at the principal office of the Bond Registrar, by the registered owner hereof in person, or by his or her attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer in the form attached hereto and satisfactory to the Bond Registrar duly executed by the registered owner or his or her duly authorized attorney, and thereupon, within a reasonable time, the Bond Registrar shall issue in the name of the transferee a new registered bond or bonds of any authorized denominations in aggregate principal amount equal to the principal amount of this bond or the unredeemed portion hereof, and maturing on the same date and bearing interest at the same rate, and the new bond or bonds shall be delivered to the transferee only after payment of any tax or governmental charge required to be paid with respect to, and any shipping expenses or insurance relating to, such transfer and only after due authentication thereof by an authorized officer of the Bond Registrar. The Bond Registrar shall not be required to issue, transfer or exchange any bond during the period beginning fifteen days before any selection of bonds to be redeemed and ending on the day of publication and mailing of the notice of redemption or to transfer or exchange any bond called or being called for redemption in whole or in part. The Bond Registrar may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Maryland, the Charter of the City (the "Charter") and the Ordinance to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed, and that the issue of bonds of which this is one, together with all other indebtedness of the City, is within every debt and other limit prescribed by said Constitution or statutes or Charter, and that due provision has been made for the levy and collection of an ad valorem tax or taxes upon all legally assessable property within the corporate limits of the City in rate and amount sufficient to provide for the payment, when due, of the principal of and interest on this bond.

This bond shall not be valid or become obligatory for any purpose, until this bond shall have been authenticated by an authorized officer of the Bond Registrar.

IN WITNESS WHEREOF, this bond has been executed by the manual or facsimile signature of the Mayor of the City, an original or facsimile of the corporate seal of the City

has been imprinted hereon, attested by the manual or facsimile signature of the Clerk of the City as of the __ day of ____, 2013.

ATTEST:

THE MAYOR AND COUNCIL OF ROCKVILLE

Clerk

By: _____
Mayor

CERTIFICATION OF AUTHENTICATION

The undersigned hereby certifies that this bond is one of the registered bonds without coupons of The Mayor and Council of Rockville.

By: _____
[Authorized Officer of
Bond Registrar]

(Form of Assignment)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond and all rights thereunder, and does hereby constitute and appoint _____ to transfer the within bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

In the presence of:

Notice: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Section 7: The City Manager of the City shall be and is hereby authorized to make such changes in the form of bond set forth in Section 6 of this Ordinance, as the City

Manager shall deem necessary to carry into effect the purposes of this Ordinance or to Comply with recommendation of legal counsel; provided, however, that the City Manager shall make no change affecting the substance of the Series 2013A Bonds authorized by this Ordinance.

Section 8: It is hereby determined that it is in the best interests of the City to sell the Series 2013A Bonds at public (competitive) sale. The City Manager of the City is hereby authorized and directed to publish one or more notices calling for bids for the Series 2013A Bonds in the Rockville Gazette, such notice to be published twice, and the first publication to be at least ten days before the date of the receipt of bids. If the Rockville Gazette, shall not be available to publish such notice, the City Manager may publish such notice, subject to applicable law, in any other publication which in his judgment serves the purpose hereof. The Notice of Sale with respect to the Series 2013A Bonds shall be substantially in the form of Exhibit B attached hereto, subject to such changes, insertions and amendments as the City Manager deems necessary and approves, his publication of such notice to constitute conclusive evidence of such approval. Notwithstanding the provisions of this Section 8, the City Manager may cause to be published a summary notice of sale which in his judgment serves substantially the purposes of publication.

The Series 2013A Bonds will be suitably prepared and duly executed and delivered to the entity(ies) submitting the winning bid for the Series 2013A Bonds (the “Purchaser”) in accordance with the conditions of delivery as set forth in this Ordinance as soon as practicable, upon due notice and at the expense of the City, at such place as may be agreed upon between the Purchaser of the Series 2013A Bonds and the City, upon payment in Federal or other immediately available funds of the purchase price of the Series 2013A Bonds plus accrued interest to the date of delivery.

Section 9: The Mayor of the City and the City Manager are hereby authorized to prepare and distribute the Preliminary Official Statement with respect to the Series 2013A Bonds, to deem such Preliminary Official Statement to be “final” as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), to execute and deliver a Continuing Disclosure Agreement pursuant to the Rule, and to take such further action and to execute such other documents as are necessary or desirable in connection with the issuance of the Series 2013A Bonds.

Section 10: Pursuant to Section 11(f) of Article VII of the Charter of the City of Rockville, Public Financial Management, Inc. is hereby recognized and appointed as the Financial Advisor to the City in connection with the issuance of the Series 2013A Bonds.

Section 11: (a) The City shall apply such amount of the proceeds of the Series 2013A Bonds as shall be deemed necessary by the Chief Financial Officer to the financing and refinancing of all or a portion of the costs of the projects listed on Exhibit A. Such

amounts shall be invested upon the direction of the Chief Financial Officer, pending their application in accordance with the provisions hereof.

(b) The Chief Financial Officer shall apply proceeds of the Series 2013A Bonds to the payment of the costs of issuance thereof. Such amounts shall be invested upon the direction of the Chief Financial Officer, pending their application in accordance with the provisions hereof.

Section 12: For the purpose of paying the principal of and interest on the Series 2013A Bonds authorized to be issued by this Ordinance, the City shall levy or cause to be levied, and there is hereby levied, in each and every fiscal year in which any of the Series 2013A Bonds are outstanding, an *ad valorem* tax or taxes upon all of the legally assessable property within the corporate limits of the City in rate and amount sufficient to provide for the payment, when due, of the principal of all of the Series 2013A Bonds maturing in each such fiscal year and of all of the interest on the Series 2013A Bonds coming due in each such fiscal year, and, in the event the proceeds from the taxes so levied in each such fiscal year shall prove inadequate for the above purposes, additional taxes shall be, and are hereby, levied in the subsequent fiscal year to make up any deficiency. It is the intent of this Ordinance that the rate of said *ad valorem* taxes shall be so computed in each fiscal year that the proceeds of such *ad valorem* taxes, together with any other funds then lawfully available for the purpose, shall provide sufficient funds to meet said maturing principal of and interest on all of the Series 2013A Bonds.

The full faith and credit and unlimited taxing power of the City are hereby irrevocably pledged to the payment to maturity of the principal of and interest on the Series 2013A Bonds authorized by this Ordinance as and when the same respectively mature and to the levy and collection of the taxes hereinabove described as and when such taxes may become necessary in order to provide sufficient funds to meet the debt service requirements of the Series 2013A Bonds hereby authorized to be issued. The City hereby solemnly covenants and agrees with each registered owner (from time to time) of the Series 2013A Bonds to levy and collect the taxes hereinabove described and to take any other action that may be appropriate from time to time during the period that any of the Series 2013A Bonds remain outstanding and unpaid to provide the funds necessary to make principal and interest payments thereon.

Section 13: (a) The City intends to issue the Series 2013A Bonds with the expectation that the interest thereon will be excludable from the gross income of the holders thereof for federal income tax purposes. The City Manager and the Chief Financial Officer shall be the officers of the City responsible for the issuance of the Series 2013A Bonds within the meaning of the Arbitrage Regulations (defined herein). The City Manager and the Chief Financial Officer shall also be the officers of the City responsible for the execution and delivery (on the date of the issuance of the Series 2013A Bonds) of a certificate of the City (the "Tax and Section 148 Certificate") which complies with the

requirements of Section 148 of the Internal Revenue Code of 1986 (“Section 148”), and the applicable regulations thereunder (the “Arbitrage Regulations”), and such officers are hereby authorized and directed to execute and deliver the Tax and Section 148 Certificate to counsel rendering an opinion on the validity of the Series 2013A Bonds on the date of the issuance of the Series 2013A Bonds.

(b) The City shall set forth in the Tax and Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the Series 2013A Bonds or of any moneys, securities or other obligations to the credit of any account of the City which may be deemed to be proceeds of the Series 2013A Bonds pursuant to Section 148 or the Arbitrage Regulations (collectively, the “Bond Proceeds”). The City covenants and agrees with the registered owners of the Series 2013A Bonds that the facts, estimates and circumstances set forth in the Tax and Section 148 Certificate will be based on the City’s reasonable expectations on the date of issuance of the Series 2013A Bonds and will be, to the best of the certifying officers’ knowledge, true and correct as of that date.

(c) The City covenants and agrees with the registered owners of the Series 2013A Bonds that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use of the Bond Proceeds that would cause the Series 2013A Bonds to be “arbitrage bonds” within the meaning of Section 148 and the Arbitrage Regulations. The City further covenants that it will comply with Section 148 of the Internal Revenue Code of 1986 (or any successor provision thereto) and the regulations thereunder which are applicable to the Series 2013A Bonds on the date of issuance of the Series 2013A Bonds and which may subsequently lawfully be made applicable to the Series 2013A Bonds.

(d) The City further covenants that it shall make such use of the proceeds of the Series 2013A Bonds, regulate the investment of the proceeds thereof, and take such other and further actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2013A Bonds. All officers, employees and agents of the City are hereby authorized and directed to take such actions, and to provide such certifications of facts and estimates regarding the amount and use of the proceeds of the Series 2013A Bonds, as may be necessary or appropriate from time to time to comply with, or to evidence the City’s compliance with, the covenants set forth in this Section.

Section 14: This Ordinance shall take effect from and after the date of final passage.

THE FOREGOING ORDINANCE was introduced at a meeting of the Mayor and Council of Rockville held on January 28, 2013, and, its title having been included on the published agenda for the meeting of February 4, 2013, and all other requirements of law for published notice or hearing having been complied with, was finally passed by the Mayor and Council of Rockville on February 4, 2013.

Clerk

Exhibit A

List of Projects

Description	Program Area	Debt Amount	Maturity
Water Projects Fund			
Water System Facility Improvements	Utilities	1,260,000	20 Years
Water Main Rehabilitation	Utilities	<u>3,871,843</u>	20 Years
Total Water Projects Fund		<u>\$ 5,131,843</u>	
Sewer Projects Fund			
Blue Plains Wastewater Treatment	Utilities	<u>\$11,656,000</u>	20 Years
Total Sewer Projects Fund		<u>\$11,656,000</u>	
Capital Projects Fund			
Horizon Hill Stormwater Management Ponds	Stormwater Management	<u>\$ 2,008,700</u>	20 Years
Total Capital Projects Fund		<u>\$ 2,008,700</u>	
Total Project Needs		<u>\$18,796,543</u>	

Exhibit B**TERMS OF OFFERING**\$ __, __, 000⁽¹⁾**General Obligation Bonds, Series 2013A
Mayor and Council of Rockville, Maryland**

NOTICE IS HEREBY GIVEN that these Series 2013A Bonds will be offered for sale according to the following terms:

TIME AND PLACE

Sealed or electronic proposals for the Series 2013A Bonds will be received on Monday, February 25, 2013, until 12:00 P.M., Eastern Time, at the offices of Public Financial Management, 800 Nicollet Mall, Suite 2710, Minneapolis, Minnesota 55402, after which time they will be opened and tabulated. Consideration for award of the Series 2013A Bonds will be by the City Manager on the same day.

SUBMISSION OF PROPOSALS

The Issuer will assume no liability for the inability of the bidder to reach the Issuer prior to the time of sale specified above. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the Issuer to purchase the Series 2013A Bonds regardless of the manner by which the Proposal is submitted.

(a) **Sealed Bidding.** Proposals may be submitted in a sealed envelope to the offices of Public Financial Management, 800 Nicollet Mall, Suite 2710, Minneapolis, Minnesota 55402.

OR

(b) **Electronic Bidding.** Electronic Bids may be submitted through PARITY.[®] For purposes of the electronic bidding process, the time as maintained by PARITY.[®] shall constitute the official time with respect to all Bids submitted to PARITY.[®]. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY.[®] for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Terms of Offering.* Neither the Issuer, its agents nor PARITY.[®] shall have any duty or obligation to provide or ensure electronic access to any qualified prospective bidder, and neither the Issuer, its agents nor PARITY.[®] shall be responsible for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by PARITY.[®]. The Issuer is using the services of PARITY.[®] solely as a communication mechanism to conduct the electronic bidding for the Series 2013A Bonds, and PARITY.[®] is not an agent of the Issuer.

⁽¹⁾ Preliminary, subject to change.

If any provisions of this Official Terms of Offering conflict with information provided by PARITY®, this Terms of Offering shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2nd Floor, New York City, New York 10018,
Customer Support, (212) 849-5021.

DETAILS OF THE SERIES 2013A BONDS

The Series 2013A Bonds will be dated March 20, 2013, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing December 1, 2013. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2013A Bonds will mature June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u> ⁽¹⁾	<u>Year</u>	<u>Amount</u> ⁽¹⁾
2015		2025	
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	
2021		2031	
2022		2032	
2023		2033	
2024		2034	

TERM BOND OPTION

Proposals for the Series 2013A Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above, at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify “Last Year of Serial Maturities” and “Years of Term Maturities” in the spaces provided on the Proposal Form.

⁽¹⁾ Preliminary, subject to change.

ADJUSTMENTS TO PRINCIPAL AMOUNTS AFTER DETERMINATION OF BEST PROPOSAL

Following the receipt of the bids, the Issuer reserves the right to adjust the principal amount after receipt of bids, and the maximum issue size will not exceed \$20,000,000. If the issue structure is adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Series 2013A Bonds to the public and the price to be paid to the Issuer (excluding accrued interest), by (ii) the principal amount of the Series 2013A Bonds) remains constant.

BOOK ENTRY SYSTEM

The Series 2013A Bonds will be issued by means of a book entry system with no physical distribution of Series 2013A Bonds made to the public. The Series 2013A Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Series 2013A Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Series 2013A Bonds. Individual purchases of the Series 2013A Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Series 2013A Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Series 2013A Bonds, will be required to deposit the Series 2013A Bonds with DTC.

REGISTRAR

The Issuer will act as Registrar and Paying Agent and shall be subject to applicable SEC regulations.

OPTIONAL REDEMPTION

The Issuer may elect on June 1, 2022, and on any day thereafter, to prepay Series 2013A Bonds due on or after June 1, 2023. Redemption may be in whole or in part and if in part at the option of the Issuer and in such manner as the Issuer shall determine. If fewer than all of the Series 2013A Bonds shall be called for redemption, the portions of Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2013A Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2013A Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

SECURITY AND PURPOSE

The Series 2013A Bonds will be general obligations of the Issuer for which the Issuer will pledge its full faith, credit unlimited taxing powers. The proceeds will be used to finance water, sewer and stormwater management system improvements and to pay the costs of issuing the Series 2013A Bonds.

TYPE OF PROPOSALS

Proposals shall be for not less than \$____,000 (Par) plus accrued interest on the total principal amount of the Series 2013A Bonds. After receipt of bids for the Series 2013A Bonds is closed and prior to the award, the apparent successful bidder indicated on PARITY must submit a Good Faith Deposit ("Deposit") of \$____ to the Issuer by wire transfer as instructed by the Issuer or its financial advisor. The award to the apparent successful bidder is contingent upon receipt of the Deposit, and the Series 2013A Bonds will not be awarded to such bidder until the Issuer has confirmation of receipt of the Deposit. Proposals may also be accompanied by a Deposit in the form of a certified or cashier's check in the amount of \$____, payable to the order of the Issuer. If a check is used, it must accompany the proposal. The Issuer will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Issuer. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the Issuer scheduled for award of the Series 2013A Bonds is adjourned, recessed, or continued to another date without award of the Series 2013A Bonds having been made.

Rates must be in integral multiples of 1/8 or 1/20 of 1%, one rate per maturity. **No rate shall be more than 1% less than the rate specified for any prior maturity.** Series 2013A Bonds of the same maturity shall bear a single rate from the date of the Series 2013A Bonds to the date of maturity. No conditional proposals will be accepted.

AWARD

The Series 2013A Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Issuer's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The Issuer will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Series 2013A Bonds, (ii) reject all proposals without cause, and, (iii) reject any proposal which the Issuer determines to have failed to comply with the terms herein.

As a condition to the award of the Series 2013A Bonds, the successful bidder shall be required to communicate to the Issuer the initial offering prices at which a bona fide offering of Series 2013A Bonds has been made to the public and the prices at which a substantial portion of each maturity of the Series 2013A Bonds have been sold to the

public (excluding bond houses, brokers and other intermediaries). Furthermore, as a condition to the delivery of the Series 2013A Bonds, the successful bidder shall be required to certify that a bona fide offering of the Series 2013A Bonds has been made to the public (excluding bond houses, brokers and other intermediaries) and such initial offering prices by written certificate, such certificate to be in form and substance reasonably satisfactory to the Issuer's bond counsel.

CUSIP NUMBERS

If the Series 2013A Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Series 2013A Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Series 2013A Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

CONCURRENT SALES

The Issuer will offer for sale its General Obligation Refunding Bonds, Series 2013B (the "Series 2013B Bonds") at the same time as it offers for sale the Series 2013A Bonds. The Series 2013A Bonds and Series 2013B Bonds are described in the Official Statement dated February 19, 2013. Proposals for the Series 2013B Bonds will be received separately from proposals for the Series 2013A Bonds, pursuant to a separate Terms of Offering appended to the Official Statement dated February 19, 2013.

SETTLEMENT

The Series 2013A Bonds will be delivered on or about March 20, 2013, without cost to the purchaser through DTC in New York, New York. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Venable LLP of Baltimore, Maryland, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Series 2013A Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Issuer or its designee. Except as compliance with the terms of payment for the Series 2013A Bonds shall have been made impossible by action of the Issuer, or its agents, the purchaser shall be liable to the Issuer for any loss suffered by the Issuer by reason of the purchaser's non-compliance with said terms for payment.

PRELIMINARY OFFICIAL STATEMENT; CONTINUING DISCLOSURE

The Issuer has deemed the Preliminary Official Statement dated February 19, 2013 to be final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain information permitted to be omitted by said Rule. The Issuer agrees to deliver to the successful bidder for its receipt no later than seven business days after the date of sale of the Series 2013A Bonds such quantities of the final official statement as the successful bidder shall request; provided, that the

Issuer shall deliver up to 30 copies of such official statement without charge to the successful bidder.

The Issuer has made certain covenants for the benefit of the holders from time to time of the Series 2013A Bonds to provide certain continuing disclosure, in order to assist bidders for the Series 2013A Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Such covenants are described in the Preliminary Official Statement dated February 19, 2013.

THE MAYOR AND COUNCIL OF ROCKVILLE

By: /s/ Mr. Gavin Cohen
Chief Financial Officer